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# Memoral and Manager's Office

TO: HONORABLE MAYOR AND

CITY COUNCIL

FROM: Albert Balagso

Leslye Krutko Joseph Horwedel

SUBJECT: PARK IN-LIEU FEES

**DATE:** August 21, 2006

Approved

Kay Winer

Date

8/28/06

#### **INFORMATION**

#### **BACKGROUND**

At the March 14, 2006 City Council meeting, City staff presented a recommendation to temporarily suspend park impact fees for units to be constructed under the Pilot Secondary Unit Ordinance. This recommendation came in response to an \$11,000 park impact fee assessed on an applicant of a secondary unit in the initial stages of the City's pilot program. Several Councilmembers expressed concern about the amount of fees that a secondary unit would be charged if the fee was not suspended. In response, the City Council approved suspending the fees for the duration of the pilot program in order to better understand the overall costs and impacts of this new type of development. At this meeting, Councilmember Pyle requested that staff provide additional information about how park in-lieu fees are currently calculated for units subject to either the Parkland Dedication Ordinance or Park Impact Ordinance.

#### **ANALYSIS**

The City's Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO), as stated in Chapters 19.38 and 14.25 of the San Jose Municipal Code, require that new housing projects with 50 or fewer units pay an in-lieu fee for each new unit or parcel created. In 1998, the City Council approved the current methodology used to calculate the PDO/PIO fee. The methodology attempts to establish fees that reflect the relative cost of land throughout the City, as well as the expected impact each new unit will have on the need for parks. More specifically:

<sup>&</sup>lt;sup>1</sup> The PDO/PIO requires that new housing projects either dedicate land for public parks, pay a fee in lieu of dedication, or a combination of the two. The PDO/PIO is consistent with the requirements and procedures for the dedication of parkland as set forth in the California law known as the Quimby Act, Section 66477 of the Government Code. Under the PDO/PIO, the City may request the dedication of land at 3.0 acres of neighborhood/community serving parkland per 1,000 population from new residential projects over 51 units. For projects fewer than 51 units, the City can only request the payment of the associated in-lieu fees.

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- In-lieu fees are based on land values in each of the thirteen Multiple Listing Service (MLS) zones throughout the City.
- At present, 1990 U.S. Census data is used to estimate the densities for different housing types (single-family detached, single-family attached, multi-family 2-4 units, multi-family 5+ units).
- In 2002, the City Council designated single-room occupancy units (SROs) as the fifth eligible housing type.
- Housing units restricted to occupancy by low- and very-low households are exempt from the PDO/PIO.

Attachment A provides the map of MLS zones in San José. Since 1998, the City has contracted with Diaz, Diaz & Boyd, Inc., a real property valuation and consultant firm, to prepare the Annual Residential Land Value Study to estimate the typical value of large tracts of residential land on a citywide basis and for each of the MLS zones. The information from this study is used in determining the in-lieu fees by housing type and area. In-lieu fees were last adjusted by the City Council in June 2002 by Resolution Number 71120, and went into effect on January 1, 2003. Currently, the in-lieu fees are based on 70% of the 2001 valuation for each MLS zone as established by the Residential Land Value Study.

MLS ZONES	7 (Alviso)	2 (Santa Teresa), 4 (Alum Rock- East Valley), 7 (North San Jose) & 11 (South San Jose)	5 Berryessa (North Valley)	3 (Evergreen) & 12 (Blossom Valley)	9 (Downtown), 10 (Willow Glen), 15/18 (West San José)	13 (Almaden Valley) & 14 (Cambrian)
2001 Value (Per Sq. Ft.)	\$15	\$35	\$40	\$40	\$50	\$45
70% of 2001 Value (Per Sq. Ft)	\$10.50	\$24.50	\$28.00	\$31.50	\$35.00	\$37.80
70% of 2001 Value (per acre)	\$457,380	\$1,067,220	\$1,219,680	\$1,372,140	\$1,524,600	\$1,646,568

Under the PDO/PIO, in-lieu fees are established for each new unit by multiplying the estimated number of occupants by housing type (a single-family detached home is 3.43 occupants<sup>2</sup>), by the number of housing units, and then by the park acreage target per resident (3 acres of park per 1,000 residents, or .003). This formula provides the development's parkland obligation by housing type. To arrive at the in-lieu fee, the parkland obligation by housing type is multiplied by the land

<sup>&</sup>lt;sup>2</sup> Based on the 1990 U.S. Census as required by ordinance. Staff will recommend using 2000 census when PDO changes are brought forward for Council consideration on October 24, 2006.

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housing project due before any credits are given. The total amount is then divided by the number of units per housing type in order to define the in-lieu fee associated with that housing type. In-lieu fees are then rounded to the nearest fifty dollars. The intent of the 1998 changes regarding in-lieu fees per unit contribution is to theoretically acquire the necessary parkland associated with each new housing development.

For purposes of calculating PDO/PIO fees for secondary units, City staff used the occupancy assumptions for single-family detached homes. The following demonstrates how this formula was applied in the case of the secondary unit noted above. First, the new unit was located in MLS zone 2, therefore the land value per acre (70% of the 2001 actual value) would be \$1,067,220 (see chart above). The PDO/PIO fee for the new detached unit would be \$10,981 (1 new unit \* 3.43 occupants \* .003 acres/occupant \* \$1,067,220/acre), rounded up to \$11,000.

#### **NEXT STEPS**

Staff will conduct a thorough review and evaluation at the end of the pilot program to determine the feasibility and rate of any future PDO/PIO fee on secondary units should the City Council consider extending the ordinance allowing secondary units.

ALBERT BALAGSO

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and Neighborhood Services

Acting Director of Planning, Building, and Code Enforcement

For questions please contact Dave Mitchell, Parks Planning Manager, at (408) 793-5528.

Attachments: A) MLS Zones

B) Current PDO/PIO In-Lieu Fees Schedule